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C O N F I D E N T I A L WARSAW 001283

SIPDIS

STATE FOR EUR/NCE TARA ERATH AND MICHAEL SESSUMS

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TAGS: [EAID](#) [ECON](#) [PREL](#) [PGOV](#) [IZ](#) [PL](#)

SUBJECT: POLISH COMPANY FEARS IRAQ WILL CANCEL SIGNIFICANT CONTRACT

REF: 2004 WARSAW 5473

Classified By: DCM, Cameron Munter: reasons 1.4 (b) and (d)

1. (C) In December 2004, Poland's defense holding company, Bumar, signed a number of contracts with the Iraqi Ministry of Defense to provide military supplies and equipment to Iraq (reftel). Prominent among these deals were two contracts to deliver several large Russian-built cargo/transport helicopters and 20 Sokol combat-support helicopters produced in Poland. In early February, the Iraqi Ministry of Defense requested that Bumar cancel the \$132 million contract for the 20 Polish-built Sokol combat-support helicopters. Bumar understands from the Iraqi Ministry of Defense that U.S. and British military advisors requested that Iraq cancel the contract for the 20 Sokol helicopters because the IIG advisors do not believe that the Iraqi military should have this equipment.

2. (C) Bumar fears that if the contract for the Sokol helicopters is cancelled, there may be political repercussions as the remaining helicopter contract already signed is for Russian-built helicopters. Bumar said that an Iraqi delegation will arrive in Poland before March 18 to discuss the issue further. Bumar hopes to salvage at least part of the deal by negotiating to provide fewer Sokol helicopters rather than outright cancelling the contract.

3. (C) Comment. The fact that few Polish companies have won U.S. or Iraqi-funded contracts for work in Iraq remains a sensitive topic in the GOP and the Polish business community. Throughout most of last year, the Poles were very vocal about their desire to "fully" participate in Iraq reconstruction. They are currently not as outspoken on Iraqi contracts as they once were, due in part to the very positive press this \$132 million deal received when it was signed in December 2004. Cancelling the contract may return this issue to the front page of the news, unhappily reviving what had been a quiet topic. Bumar may be right in suggesting that the Polish government and public would be upset if they perceived that U.S. advisors had a hand in cancelling one of the few significant contracts the Poles have won in Iraq. The impact of this issue may be compounded if such a perception exists as Poland heads into expected elections in June. End comment.
ASHE